

Tax Credits Could Help Create a Better Mississippi

Unlike broad and more costly income tax cuts, Mississippi lawmakers should invest in the families and workers who actually need it by creating a state Earned Income Tax Credit (EITC) and/or Child Tax Credit (CTC). Refundable tax credits increase economic security for struggling families, improve child outcomes, can boost local and state economies, and make the tax code fairer. Research suggests that the additional income these credits provide may lead to the following:

- Significant improvements in health, including in maternal and infant health, consistent with increased access to healthy food and reduced food insecurity
- Students completing more years of education
- Less stress on families struggling with low incomes

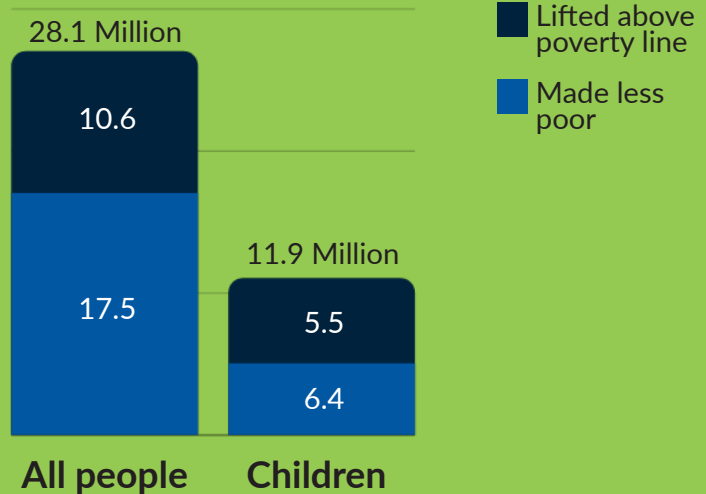
The EITC and CTC boost economic opportunity for families, reduce childhood poverty and improve outcomes for children and their parents. Rising costs and ongoing wage stagnation limit families' ability to pay for necessities like food, gas, and housing. Adopting such tax credits will target the children and families who need it most, providing a lifeline to low- and moderate-income families struggling to make ends meet.



Now is as good a time as ever for lawmakers to implement a state Earned Income Tax Credit and/or Child Tax Credit and provide much-needed support for working families.

Earned Income Tax Credit and Child Tax Credit Have Powerful Anti-Poverty Impact

Millions of people lifted above the poverty line or made less poor (using Supplemental Poverty Measure) due to the EITC and Child Tax Credit, 2018



Mississippi Earned Income Tax Credit

- Since its enactment in 1975, the federal EITC has provided a much-needed boost to working families and has played an active role in reducing poverty.
- According to the Internal Revenue Service, as of December 2022, 425,000 Mississippi families filed federal EITC claims for a combined total of \$1 billion. The average EITC amount in Mississippi is the highest in the nation, at \$2,459.
- Mississippi should join the thirty-one states, Washington, D.C., and Puerto Rico, that have boosted worker opportunities.
- According to the Institute on Taxation and Economic Policy Institute, a state EITC set to 10% of the federal credit and made refundable, meaning that families should receive a tax refund even if the credit exceeds the amount of their tax bill, would benefit nearly 400,000 Mississippi households and would put an average of \$288 back in the hands of Mississippi working families.



Mississippi Child Tax Credit

- Enacted in 1997 and expanded with bipartisan support in 2021, the federal CTC helps working families offset the cost of raising children.
- Child poverty reached a record low in 2021 in part because the federal CTC was expanded to include the poorest families, who previously received little or no benefit because of a longstanding flaw in the program's design. Child poverty fell by 40 percent between 2020 and 2021. In all, 2.1 million children (about the population of New Mexico) were lifted out of poverty, including 752,000 Latino children, 650,000 white children, 542,000 Black children, and 56,000 Asian children.
- A growing number of states (11 in all) are adopting Child Tax Credits.
- If Mississippi were to enact a CTC, it should be refundable, meaning families should receive a tax refund even if the credit exceeds the amount of their tax bill. A Mississippi CTC should also be extended per child, including a young child bonus, and be eligible for all residents. It should be indexed so it does not erode over time and should be potentially advanceable/monthly.

Source: Center on Budget and Policy Priorities